



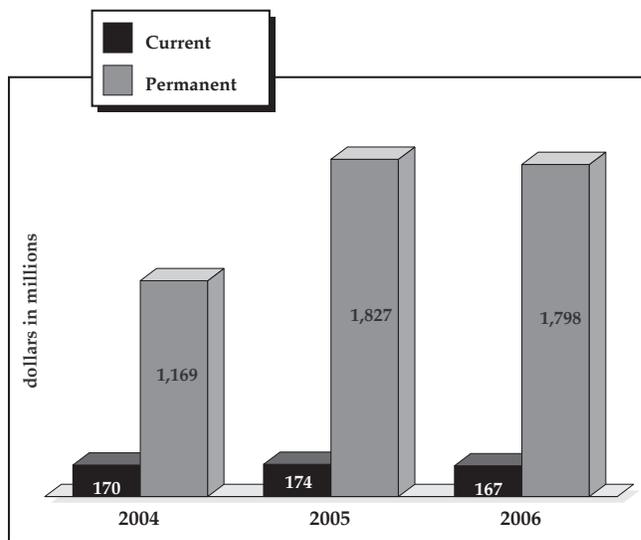
MINERALS MANAGEMENT SERVICE

Mission— The Minerals Management Service was formed by Secretarial Order in 1982 to facilitate the Nation’s mineral revenue collection efforts and the management of its Outer Continental Shelf offshore lands. The MMS has two major responsibilities: management of energy and mineral resources on the Nation’s OCS in an environmentally sound and safe manner; and timely and accurate collection, distribution, accounting for, and auditing of revenues owed by holders of mineral leases on Federal onshore and offshore and Indian lands.

Program Overview — The MMS programs are vitally important, contributing significantly to the Nation’s economic well-being and energy security. Energy production from the OCS helps to limit dependence on imported energy. The natural gas produced from the OCS will continue to play a key role in providing the Nation a reliable and clean-burning energy source. In 2006, MMS programs will collect an estimated \$10.8 billion in revenues from minerals produced from offshore and onshore Federal and Indian lands. This income contributes to the funding of numerous Federal programs. In addition to Federal and tribal interests, MMS also supports States and local governments through revenue sharing and by providing OCS sand and gravel for beach nourishment projects. Since 1994, increasing OCS rental revenues have permitted MMS to use receipts to cover over \$880 million in previously appropriated activities, releasing the equivalent amount of limited discretionary budget authority to address other Federal high-priority programs. The 2006 budget request will add another \$122.7 million to that total.

To ensure OCS development is carried out in an environmentally responsible manner, MMS inspects all offshore facilities, reviews plans of exploration and development, analyzes statements of financial responsibility, and funds scientific and engineering research related to OCS mineral development. The MMS also utilizes a broad range of financial services, and pursues a comprehensive compliance strategy that includes an automated compliance verification program to validate the accuracy and timeliness of revenues paid and an audit program staffed by MMS, State, and tribal auditors to ensure proper revenues are collected and disbursed.

MMS Funding



Management Excellence — The MMS continues to follow the President’s management agenda for improving management and performance of the Federal government, and practicing the Secretary’s vision for citizen-centered management excellence. The MMS has established a permanent Evaluation Integration Council made up of senior staff from across the organization to synthesize and analyze management, cost, and performance information. The Council will report and provide recommendations quarterly to the MMS Executive Committee based on a consolidated review of MMS accomplishments.

The budget proposal supports the Department’s new strategic plan, specifically in relation to the goals of managing energy resources to enhance public benefit, promoting responsible use of the Nation’s resources, protecting lives and the environment in offshore operations, and ensuring that taxpayers receive optimal value for the development of those resources.

For 2006, MMS will continue to refine its activity based cost management reporting capabilities to assure that

managers will be able to receive effective and informative data from the system. As part of 2006 budget formulation, a Program Assessment Rating Tool evaluation was conducted on the MMS Resource Evaluation and Leasing program. The assessment found that the program is well managed and demonstrates progress towards providing access to OCS lands to best meet the energy needs of the Nation. Based on the evaluation, MMS is proposing funding in 2006 to acquire new geological data and new geological assessment technologies to improve the resource evaluation process.

Budget Overview — The 2006 MMS budget request is \$290.2 million in current appropriations and offsetting receipts. Three permanent appropriations totaling \$1.8 billion will provide States with their statutory shares of mineral leasing revenues generated on Federal lands.

Offsetting receipts are estimated to be \$122.7 million, an increase of \$19.0 million over 2005. The request for direct appropriations is \$167.4 million, a decrease of \$6.4 million from the 2005 enacted budget. The \$12.6 million increase in overall funding will enable MMS to provide inspections in the frontier areas of the OCS; implement a records management improvement project; update Gulf of Mexico resource evaluation technologies to keep pace with the private sector; continue the Royalty-In-Kind program; and allow MMS to continue improvements in areas of Indian trust. Within the additional funding is \$3.5 million for fixed costs.

OCS Program — The goal of the OCS program is to provide for safe and environmentally sound energy and mineral development on the OCS and to ensure that the public receives fair market value for these resources. The MMS OCS activities contribute to the Nation's economic well-being and energy security. To carry out this goal, MMS activities include administering OCS leases, review of new exploration and development plans, examination of pipeline right-of-way applications, environmental assessments, and annual safety inspections of mineral extraction operations on-site. The MMS requests \$148.3 million in 2006 for OCS program activities, a net increase of \$63,000 above the 2005 enacted budget.

Industry continues to move further offshore into ultra-deepwater to conduct operations. In the last three years, companies have made seven new major discoveries in ultra-deepwater areas. These discoveries have been followed by the filing of additional plans for exploration and will soon require that appraisal, delineation, and development wells be drilled in proximity to the discovery, all of which require MMS inspections. The 2006 budget proposes a \$1.6 million deepwater helicopter initiative that would allow MMS inspection activity to keep pace

with increased deep water activity. The MMS contracts helicopters to transport inspectors to offshore oil and gas facilities in order to conduct mandatory inspections. These inspections ensure safety, compliance, and environmental protection.

The 2006 budget request includes an increase of \$1.0 million in support of Gulf of Mexico resource evaluation technologies. To meet the increasing challenges for exploring and developing oil and gas in frontier areas, the private sector has developed new technologies. All critical MMS resource evaluation decisions, including resource assessments, reserve estimates, fair market value determinations, field determinations, and new producible lease determinations rely on industry data obtained from these cutting edge technologies. Within this initiative, MMS is proposing to spend \$500,000 to focus on interpretive technologies in order to maintain technological parity with industry and ensure the accuracy and improved quality of interpretation, which creates better evaluations and estimates. Specifically, MMS will focus on maintaining the quality of geophysical data; effectively managing the large volume of interpretive data that needs to be processed, distributed and archived; maintaining the quality of MMS staff through technical training; and developing programs with universities and colleges to ensure future employees can work effectively with advanced technology. The MMS also proposes \$500,000 within this initiative to build a new MONTCAR tract evaluation model, which will be used to develop the principal input for fair market value estimates on which the MMS bid acceptance/rejection decisions are based. The end result will be easier, quicker revisions, better documentation, and a decreased learning curve for new staff and contractors.

Minerals Revenue Management — In 2006, the total Minerals Revenue Management program is funded at \$87.3 million, an increase of \$11.9 million above the 2005 enacted budget.

The goal of the MRM program is to ensure that revenue from Federal and Indian mineral leases are effectively, efficiently, and accurately collected, accounted for, and disbursed to recipients. These revenues, which have historically averaged over \$6 billion per year, are distributed and disbursed to 38 States, 41 Indian Tribes, some 30,000 American Indian mineral royalty owners, and to U.S. Treasury accounts.

The 2006 budget proposes \$9.8 million in funding for the Royalty-In-Kind program. Since the mid-1990's MMS has conducted several pilot projects to test the effectiveness of the RIK approach. These projects have demonstrated that in the correct situation taking royalty-in-kind has many

advantages over taking it in value. These advantages include revenue enhancement, reduced administrative costs for the public and industry, conflict avoidance, and earlier receipt of royalty revenues. The proposed funding would cover administrative costs for the RIK program. In 2005, these costs are covered through receipts.

To support the Department's information technology strategic goal of implementing electronic records management by 2008, MMS is proposing a \$1.2 million initiative in 2006 to begin planning and introducing state-of-the-art technology and automated tools to address electronic records preservation and accessioning requirements. The MRM does not currently have an electronic record keeping system, and consequently expends a considerable cost for personnel time, file storage, and eventual Federal Records Center storage. The proposed funding would improve the overall management of MMS records.

The MMS has a continuing objective to provide the highest possible Indian trust service relative to its role in collecting and disbursing royalties from Indian lands to 41 Tribes and an estimated 30,000 individual Indian mineral owners. In 2006, MMS is proposing an increase of \$630,000 to fund a new cooperative agreement with the Hopi Tribe and to increase oversight of the tribal cooperative audit program.

User Fees — The MMS is projecting additional fee revenues, generated from a new permit-processing fee, rental rate adjustments due to inflation, and new user fees that build on fees proposed in 2005. In total, in 2006 MMS proposes to collect \$19.0 million in new user fees. These fees would be added to offsetting collections, for a total of \$122.7 million, allowing the reduction of annual appropriations by \$19.0 million.

Oil Spill Research Program — This program supports oil pollution research and other duties related to oil spill prevention, as authorized by the Oil Spill Pollution Act of 1990. The MMS requests total funding of \$7.0 million in 2006, level with the 2005 enacted budget. The funding will allow MMS to continue a four-year phased replacement of equipment and increased operational costs at the National Oil Spill Response Test Facility. The only one of its type in the world, the facility is a critical tool in the development of oil spill response technology by providing full-scale equipment and methodology testing in a safe, controlled environment.

Information Technology — The Department is migrating its portfolio to enterprise business processes and technologies. A key component for successful implementation of this strategy is the Enterprise Services Network, a modern, integrated network backbone that will provide the infrastructure to integrate resources within the Department. Additionally, the 2006 budget request supports implementation of the Administration's high pay-off e-government initiatives to integrate agency operations and information technology investments.

These initiatives eliminate redundant systems and significantly improve the Federal government's quality of customer service for citizens and businesses. The budget proposes a net increase of \$803,000 for information technology improvements.

Other Program Changes — The request includes a decrease of \$2.5 million for office closures, consolidation of administrative support, and other administrative savings. The 2006 budget also proposes a reduction of \$3.4 million for unrequested earmarks in 2005.

Fixed Costs — The budget fully funds fixed cost increases of \$3.5 million.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2006 Request with 2005 Enacted:

	2005 Enacted		2006 Request		Change from 2005	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Royalty and Offshore Minerals Management.....	1,610	166,820	1,608	160,416	-2	-6,404
Oil Spill Research	22	7,006	22	7,006	0	0
Subtotal, Direct Appropriations.....	1,632	173,826	1,630	167,422	-2	-6,404
Offsetting Collections		103,730		122,730	0	+19,000
Subtotal, Appropriations.....	1,632	277,556	1,630	290,152	-2	+12,596
Permanents and Trusts						
Mineral Leasing and Associated Payments	0	1,817,302	0	1,788,141	0	-29,161
Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes.....	0	2,154	0	2,122	0	-32
Nat'l. Forests Funds, Payments to State	0	7,910	0	7,804	0	-106
Subtotal, Permanents and Trusts	0	1,827,366	0	1,798,067	0	-29,299
TOTAL, MINERALS MANAGEMENT SERVICE ..	1,632	2,104,922	1,630	2,088,219	-2	-16,703

Note: Tables do not include FTE and amounts for Interior Franchise Fund.

HIGHLIGHTS OF BUDGET CHANGES
By Appropriation Activity/Subactivity

APPROPRIATION: Royalty and Offshore Minerals Management

	2004 Actual	2005 Enacted	2006 Request	Change from 2005 Enacted
Outer Continental Shelf Lands				
Leasing & Environmental Program				
Appropriation.....	16,701	16,889	15,562	-1,327
Offsetting Collections	20,335	20,335	22,206	+1,871
Total, Leasing & Environ. Prog.	37,036	37,224	37,768	+544
Resource Evaluation Program				
Appropriation.....	18,178	20,663	17,656	-3,007
Offsetting Collections	8,903	8,903	11,026	+2,123
Total, Resource Evaluation Prog.	27,081	29,566	28,682	-884
Regulatory Program				
Appropriation.....	35,022	37,073	33,317	-3,756
Offsetting Collections	14,443	14,443	18,449	+4,006
Total, Regulatory Program.....	49,465	51,516	51,766	+250
Information Management Program				
Appropriation.....	11,657	12,423	9,576	-2,847
Offsetting Collections	14,049	17,549	20,549	+3,000
Total, Info. Mgmt. Program	25,706	29,972	30,125	+153
OCS Appropriation.....	81,558	87,048	76,111	-10,937
OCS Offsetting Collections	57,730	61,230	72,230	+11,000
Subtotal, OCS Lands.....	139,288	148,278	148,341	+63

	2004 Actual	2005 Enacted	2006 Request	Change from 2005 Enacted
Minerals Revenue Management				
Compliance & Asset Management				
Appropriation.....	32,622	28,315	34,668	+6,353
Offsetting Collections	13,235	13,235	17,235	+4,000
Total, Valuation & Operations.....	45,857	41,550	51,903	+10,353
Revenue & Operations				
Appropriation.....	20,610	20,602	18,161	-2,441
Offsetting Collections	13,265	13,265	17,265	+4,000
Total, Compliance	33,875	33,867	35,426	+1,559
MRM Appropriation.....	53,232	48,917	52,829	+3,912
MRM Offsetting Collections	26,500	26,500	34,500	+8,000
Subtotal, Revenue Management	79,732	75,417	87,329	+11,912
General Administration				
Executive Direction				
Appropriation.....	1,049	1,057	1,086	+29
Offsetting Collections	1,000	1,000	1,000	0
Total, Executive Direction	2,049	2,057	2,086	+29
Policy & Management Improvement				
Appropriation.....	3,111	3,132	3,216	+84
Offsetting Collections	1,000	1,000	1,000	0
Total, Policy & Mgmt. Improve.....	4,111	4,132	4,216	+84
Administrative Operations				
Appropriation.....	15,084	15,409	15,470	+61
Offsetting Collections	1,555	1,555	1,555	0
Total, Admin. Operations.....	16,639	16,964	17,025	+61
General Support Services				
Appropriation.....	9,245	11,257	11,704	+447
Offsetting Collections	12,445	12,445	12,445	0
Total, General Support Services	21,690	23,702	24,149	+447
GA Appropriation	28,489	30,855	31,476	+621
GA Offsetting Collections	16,000	16,000	16,000	0
Total, General Administration.....	44,489	46,855	47,476	+621
TOTAL APPROPRIATION	263,509	270,550	283,146	+12,596
Total Appropriation	163,279	166,820	160,416	-6,404
Total Offsetting Collections	100,230	103,730	122,730	+19,000

Highlights of Budget Changes

	<u>Amount</u>
Fixed Costs	[+\$3,505]
Outer Continental Shelf Lands	
Leasing and Environmental Program	+544
Fixed cost increases of \$544 are fully funded.	
Resource Evaluation Program	-884
An increase of \$500 is requested for the MONTCAR evaluation model; \$500 is requested to fund additional geophysical data acquisition, an additional data management contractor, and technical training; a \$610 decrease is due to completion of the 3-D Visualization Room; a \$900 reduction is for the Center for Marine Resources and Environmental Technology; a \$900 reduction is for the Marine Minerals Technology Center. Fixed cost increases of \$526 are fully funded.	

	<u>Amount</u>
Regulatory Program	+250
An increase of \$1,605 is requested for the Deepwater Helicopter Safety program; a \$364 decrease is possible due to the closure of the Santa Maria, CA District Office; a \$600 reduction is for the Offshore Technology Research Center; and a \$1,000 reduction is for the Hurricane Ivan repairs. Fixed cost increases of \$609 are fully funded.	
Information Management Program	+153
Fixed cost increases of \$153 are fully funded.	
Minerals Revenue Management Compliance & Asset Management	+10,353
A \$5,800 increase is requested to cover administrative costs of the RIK program; a \$4,000 increase is requested for administrative costs associated with the SPR program; a \$630 increase is requested for Indian Compliance Assurance; a \$500 decrease is for completion of the Safeguarding Indian Records initiative; a \$400 decrease is possible due to the closure of the Santa Maria, CA District Office. Fixed cost increases of \$823 are fully funded.	
Revenue & Operations	+1,559
An increase of \$1,200 is requested for a records management improvement project. Fixed cost increases of \$359 are fully funded.	
General Administration Executive Direction	+29
Fixed cost increases of \$29 are fully funded.	
Policy and Management Improvement	+84
Fixed cost increases of \$84 are fully funded.	
Administrative Operations	+61
A decrease of \$400 is possible due to operational efficiencies in information technology systems consolidation, improved coordination of training efforts and a general reduction in support services costs. Fixed cost increases of \$461 are fully funded.	
General Support Services	+447
An increase of \$803 is requested for Enterprise Information Technology, which includes IT Security Certification and Accreditation, the Enterprise Services Network, and e-government; a reduction of \$217 is for improved space management; a \$56 reduction is possible due to the closure of the Santa Maria, CA District office. Fixed cost increases are reduced by \$83.	

APPROPRIATION: Oil Spill Research

	2004 Actual	2005 Enacted	2006 Request	Change from 2005 Enacted
TOTAL APPROPRIATION	7,017	7,006	7,006	0